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TOWNSHIP OF AUGRES
Arenac County, Michigan

LOCAL AUDIT
ASSURANCE DIV.

GENERAL PURPOSE FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Year Ended March 31, 2004

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Au Gres	County Arenac
Audit Date March 31, 2004	Opinion Date June 12, 2004	Date Accountant Report Submitted to State: June 12, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised 2004.
2. We are certified public accountants registered to practice in Michigan.

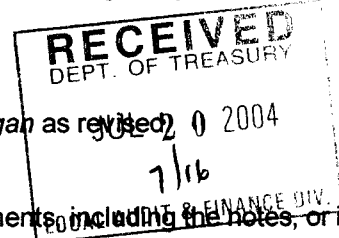
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature <i>Campbell, Kusterer & Co., P.C.</i>			



TOWNSHIP OF AUGRES
Arenac County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

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INDEPENDENT AUDITOR'S REPORT

June 12, 2004

To the Township Board
Township of AuGres
Arenac County, Michigan

We have audited the accompanying general purpose financial statements of the Township of AuGres, Arenac County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of AuGres' management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of AuGres, Arenac County, Michigan, as of March 31, 2004, and the results of its operations and the cash flows of its Proprietary Fund for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of AuGres, Arenac County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF AUGRES
Arenac County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS EXHIBIT A
March 31, 2004

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	<u>Agency</u>
<u>Assets</u>				
Cash in bank	70 906 49	128 347 90	69 510 97	461 202 13
Taxes receivable	5 346 98	4 575 41	-	-
Accounts receivable	-	-	633 61	-
Special assessments receivable	50 307 33	6 543 17	-	-
Due from other funds	48 538 32	30 814 00	-	-
Land and improvements	-	-	-	-
Buildings	-	-	-	-
Office equipment and fixtures	-	-	-	-
Machinery and equipment	-	-	-	-
Water system	-	-	184 546 44	-
Accumulated depreciation	-	-	(87 659 54)	-
Total Assets	<u>175 099 12</u>	<u>170 280 48</u>	<u>167 031 48</u>	<u>461 202 13</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	-	-	1 715 67	-
Due to other funds	-	26 244 11	-	53 108 21
Due to other units	-	-	-	408 093 92
Deferred revenue	<u>49 600 00</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>49 600 00</u>	<u>26 244 11</u>	<u>1 715 67</u>	<u>461 202 13</u>
Fund equity:				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	70 111 90	-
Retained earnings:				
Unreserved	-	-	95 203 91	-
Fund balances:				
Unreserved:				
Undesignated	<u>125 499 12</u>	<u>144 036 37</u>	<u>-</u>	<u>-</u>
Total fund equity	<u>125 499 12</u>	<u>144 036 37</u>	<u>165 315 81</u>	<u>-</u>
Total Liabilities and Fund Equity	<u>175 099 12</u>	<u>170 280 48</u>	<u>167 031 48</u>	<u>461 202 13</u>

The accompanying notes are an integral part of these financial statements.

<u>Account Group</u> <u>General</u> <u>Fixed Assets</u>	<u>Total</u> <u>(Memorandum</u> <u>Only)</u>
-	729 967 49
-	9 922 39
-	633 61
-	56 850 50
-	79 352 32
163 174 80	163 174 80
33 159 34	33 159 34
32 017 91	32 017 91
18 876 41	18 876 41
-	184 546 44
-	(87 659 54)
<u>247 228 46</u>	<u>1 220 841 67</u>
-	1 715 67
-	79 352 32
-	408 093 92
-	49 600 00
-	<u>538 761 91</u>
247 228 46	247 228 46
-	70 111 90
-	95 203 91
-	269 535 49
<u>247 228 46</u>	<u>682 079 76</u>
<u>247 228 46</u>	<u>1 220 841 67</u>

TOWNSHIP OF AUGRES
Arenac County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B

Page 1

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Revenues:			
Property taxes	31 350 14	34 453 76	65 803 90
Other taxes	2 223 77	-	2 223 77
Licenses and permits	3 527 50	-	3 527 50
State revenue sharing	71 619 00	-	71 619 00
Charges for services:			
Property tax administration fees	9 556 26	-	9 556 26
Special assessments	13 400 00	42 996 00	56 396 00
Interest	<u>1 149 03</u>	<u>97 72</u>	<u>1 246 75</u>
Total revenues	<u>132 825 70</u>	<u>77 547 48</u>	<u>210 373 18</u>
Expenditures:			
Legislative:			
Township Board	87 753 84	-	87 753 84
General government:			
Supervisor	5 675 23	-	5 675 23
Elections	688 00	-	688 00
Assessor	15 672 91	-	15 672 91
Clerk	8 062 85	-	8 062 85
Board of Review	1 799 66	-	1 799 66
Treasurer	7 533 97	-	7 533 97
Building and grounds	10 903 15	-	10 903 15
Cemetery	7 298 62	-	7 298 62
Public safety:			
Building inspection	4 873 83	-	4 873 83
Planning and zoning	1 813 16	-	1 813 16
Public works:			
Sanitation	-	48 094 15	48 094 15
Highways and streets	2 563 18	32 027 98	34 591 16
Recreation and culture:			
Library	346 18	-	346 18
Parks and recreation	2 036 66	-	2 036 66
Capital outlay	<u>3 886 02</u>	<u>-</u>	<u>3 886 02</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AUGRES
Arenac County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B

Page 2

	<u>Governmental Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Total expenditures	<u>160 907 26</u>	<u>80 122 13</u>	<u>241 029 39</u>
Excess (deficiency) of revenues over expenditures	(28 081 56)	(2 574 65)	(30 656 21)
Fund balances, April 1	<u>153 580 68</u>	<u>146 611 02</u>	<u>300 191 70</u>
Fund Balances, March 31	<u>125 499 12</u>	<u>144 036 37</u>	<u>269 535 49</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AUGRES
Arenac County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL AND SPECIAL REVENUE FUNDS

Year Ended March 31, 2004

EXHIBIT C
Page 1

	General Fund		
	Budget	Actual	Over (Under) Budget
Revenues:			
Property taxes	32 000 00	31 350 14	(649 86)
Other taxes	2 200 00	2 223 77	23 77
Licenses and permits	7 160 00	3 527 50	(3 632 50)
State revenue sharing	78 000 00	71 619 00	(6 381 00)
Charges for services:			
Property tax administration fees	11 500 00	9 556 26	(1 943 74)
Cemetery	4 908 00	-	(4 908 00)
Special assessments	-	13 400 00	13 400 00
Interest	4 000 00	1 149 03	(2 850 97)
Miscellaneous	900 00	-	(900 00)
Total revenues	<u>140 668 00</u>	<u>132 825 70</u>	<u>(7 842 30)</u>
Expenditures:			
Legislative:			
Township Board	40 300 00	87 753 84	47 453 84
General government:			
Supervisor	6 200 00	5 675 23	(524 77)
Elections	1 200 00	688 00	(512 00)
Assessor	12 500 00	15 672 91	3 172 91
Clerk	6 400 00	8 062 85	1 662 85
Board of Review	1 500 00	1 799 66	299 66
Treasurer	8 300 00	7 533 97	(766 03)
Building and grounds	7 400 00	10 903 15	3 503 15
Cemetery	6 700 00	7 298 62	598 62
Public safety:			
Building inspection	4 400 00	4 873 83	473 83
Planning and zoning	3 300 00	1 813 16	(1 486 84)
Public works:			
Sanitation	-	-	-
Highways and streets	9 000 00	2 563 18	(6 436 82)
Drains	1 000 00	-	(1 000 00)
Recreation and culture:			
Library	2 100 00	346 18	(1 753 82)

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Funds</u>		
<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
35 000 00	34 453 76	(546 24)
-	-	-
-	-	-
-	-	-
-	-	-
46 800 00	42 996 00	(3 804 00)
-	97 72	97 72
-	-	-
<u>81 800 00</u>	<u>77 547 48</u>	<u>(4 252 52)</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
46 800 00	48 094 15	1 294 15
35 000 00	32 027 98	(2 972 02)
-	-	-
-	-	-

TOWNSHIP OF AUGRES
Arenac County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL AND SPECIAL REVENUE FUNDS
Year Ended March 31, 2004

EXHIBIT C
Page 2

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures: (continued)			
Recreation and culture: (continued)			
Parks and recreation	800 00	2 036 66	1 236 66
Capital outlay	-	3 886 02	3 886 02
Total expenditures	<u>111 100 00</u>	<u>160 907 26</u>	<u>49 807 26</u>
Excess (deficiency) of revenues over expenditures	29 568 00	(28 081 56)	(57 649 56)
Fund balances, April 1	<u>-</u>	<u>153 580 68</u>	<u>153 580 68</u>
Fund Balances, March 31	<u>29 568 00</u>	<u>125 499 12</u>	<u>95 931 12</u>

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Funds</u>		
<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
-	-	-
-	-	-
<u>81 800 00</u>	<u>80 122 13</u>	<u>(1 677 87)</u>
-	(2 574 65)	(2 574 65)
<u>-</u>	<u>146 611 02</u>	<u>146 611 02</u>
<u>-</u>	<u>144 036 37</u>	<u>144 036 37</u>

TOWNSHIP OF AUGRES
Arenac County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN RETAINED EARNINGS – ALL ENTERPRISE FUNDS

EXHIBIT D

Year Ended March 31, 2004

	<u>Water Fund</u>
Operating revenues:	
Charges for services	<u>16 949 82</u>
Total operating revenues	<u>16 949 82</u>
Operating expenses:	
Contracted services	2 750 41
Cost of water	<u>14 070 77</u>
Total operating expenses before depreciation	<u>16 821 18</u>
Operating income (loss) before depreciation	128 64
Less: depreciation	<u>(4 613 66)</u>
Operating income (loss)	<u>(4 485 02)</u>
Nonoperating income and (expense):	
Interest income	385 40
Amortization of contributed capital	<u>3 338 66</u>
Net nonoperating income and (expense)	<u>3 724 06</u>
Net income (loss)	(760 96)
Retained earnings, April 1	<u>95 964 87</u>
Retained earnings, March 31	<u><u>95 203 91</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AUGRES
Arenac County, Michigan

COMBINED STATEMENT OF CASH FLOWS – ALL ENTERPRISE FUNDS EXHIBIT E
Year Ended March 31, 2004

	<u>Water Fund</u>
Cash flow from operating activities:	
Cash received from customers	16 555 51
Cash payments to suppliers for goods and services	<u>(16 055 46)</u>
Net cash provided (used) for operating activities	<u>500 05</u>
Cash flows from investing activities:	
Interest income	<u>385 40</u>
Net cash provided (used) for investing activities	<u>385 40</u>
Net increase (decrease) in cash and cash equivalents	885 45
Cash and cash equivalents, April 1	<u>68 625 52</u>
Cash and cash equivalents, March 31	<u><u>69 510 97</u></u>
Reconciliation of operating income to net cash provided (used) for operating activities:	
Operating income (loss)	(4 485 02)
Depreciation	4 613 66
Increase (decrease) in assets and liabilities:	
Accounts receivable	(394 31)
Accounts payable	<u>765 72</u>
Net Cash Provided (Used) for Operating Activities	<u><u>500 05</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AUGRES
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of AuGres, Arenac County, Michigan conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of AuGres. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Funds

General Fund

This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific revenue derived from grants, property taxes and charges for services which are to be expended for specific purposes according to legal, regulatory, or administrative requirements.

Proprietary Fund

Enterprise Fund

The Enterprise Fund reports operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

TOWNSHIP OF AUGRES
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Account Group

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components.

TOWNSHIP OF AUGRES
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus/Basis of Accounting (continued)

Proprietary fund type operating statements present revenues and expenses in net total assets. The accrual basis of accounting is utilized by the proprietary fund type. Under this basis of accounting revenues are recognized when earned and expenses are recognized when the related liability is incurred.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2003 tax roll millage rate was 1.8446 mills and the taxable value was \$35,677,180.00.

Fixed Assets and Depreciation

Fixed assets in the Enterprise Fund are depreciated using the straightline method over the estimated useful lives of the assets. Additions, improvements and major replacements are capitalized at cost. Maintenance, repairs and minor replacements are charged to expense as incurred.

Purchases of fixed assets for all other funds are recorded as expenditures in their respective funds at the time of purchase. They are also recorded in the General Fixed Assets Group of Accounts as required by generally accepted accounting principles.

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amounts would be immaterial.

Inventories

All purchases for materials are reflected in expenses when paid in all funds.

TOWNSHIP OF AUGRES
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF AUGRES
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>729 967 49</u>
Amounts in the bank balances are without considering deposits in transit or uncleared checks.	
	<u>Bank Balances</u>
Insured (FDIC)	157 150 24
Uninsured and Uncollateralized	<u>573 086 28</u>
Total Deposits	<u>730 236 52</u>

TOWNSHIP OF AUGRES
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 2 – Deposits and Investments (continued)

The Township of AuGres did not have any investments as of March 31, 2004.

Note 3 – Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance</u> <u>4/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>3/31/04</u>
Land and improvements	162 608 80	566 00	-	163 174 80
Buildings	33 159 34	-	-	33 159 34
Office equipment & fixtures	31 325 89	692 02	-	32 017 91
Machinery & equipment	<u>16 248 41</u>	<u>2 628 00</u>	<u>-</u>	<u>18 876 41</u>
Totals	<u>243 342 44</u>	<u>3 886 02</u>	<u>-</u>	<u>247 228 46</u>

Note 4 – Proprietary Fund Fixed Assets

	<u>Enterprise</u> <u>Water</u>
Water System	184 546 44
Less Accumulated Depreciation	<u>(87 659 54)</u>
Net	<u>96 886 90</u>

Note 5 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund</u> <u>Receivable</u>	<u>Fund</u>	<u>Interfund</u> <u>Payable</u>
General	26 244 11	Garbage	26 244 11
Roads	14 602 50	Current Tax Collection	14 602 50
Garbage	16 211 50	Current Tax Collection	16 211 50
General	<u>22 294 21</u>	Current Tax Collection	<u>22 294 21</u>
Total	<u>79 352 32</u>	Total	<u>79 352 32</u>

TOWNSHIP OF AUGRES
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 6 – Budget Variances

During the fiscal year ended March 31, 2004, Township expenditures exceeded the budgeted amounts in several activities as follows:

	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Excess Expenditures</u>
General Fund Activity:			
Township Board	40 300 00	87 753 84	47 453 84
Assessor	12 500 00	15 672 91	3 172 91
Clerk	6 400 00	8 062 85	1 662 85
Board of Review	1 500 00	1 799 66	299 66
Building and grounds	7 400 00	10 903 15	3 503 15
Cemetery	6 700 00	7 298 62	598 62
Building inspection	4 400 00	4 873 83	473 83
Parks and recreation	800 00	2 036 66	1 236 66
Capital outlay	-	3 886 02	3 886 02
Garbage Fund Activity:			
Sanitation	46 800 00	48 094 15	1 294 15

Note 7 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 8 – Pension Plan

The Township has a defined contribution pension plan covering all elected officials. The Township contributes a percentage of each covered employee's wages to the plan. Each covered employee also contributes to the plan. The net pension expense for the fiscal year ended March 31, 2004, was \$3,899.25.

Note 9 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 10 – Building Permits

As of March 31, 2004, the Township had building permit revenues of \$3,527.50 and building permit expenses of \$4,873.83.

TOWNSHIP OF AUGRES
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 11 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF AUGRES
Arenac County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT F
Page 1

Township Board:

Salaries	4 331 43
Payroll taxes	1 608 69
Pension	3 899 25
Audit	2 000 00
Professional services	36 627 31
Memberships and dues	1 021 52
Insurance	19 021 00
Miscellaneous	19 244 64
	<u>87 753 84</u>

Supervisor:

Salary	5 491 36
Miscellaneous	183 87
	<u>5 675 23</u>

Elections:

Contracted services	<u>688 00</u>
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Assessor:

Contracted services	14 206 22
Miscellaneous	1 466 69
	<u>15 672 91</u>

Clerk:

Salary	6 299 40
Supplies	1 084 35
Miscellaneous	679 10
	<u>8 062 85</u>

Board of Review:

Wages	1 113 45
Miscellaneous	686 21
	<u>1 799 66</u>

Treasurer:

Salary	5 150 06
Tax statement preparation	449 48
Miscellaneous	1 934 43
	<u>7 533 97</u>

TOWNSHIP OF AUGRES
Arenac County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT F
Page 2

Building and grounds:	
Contracted services	501 10
Utilities	5 210 57
Repairs and maintenance	5 191 48
	<u>10 903 15</u>
Cemetery:	
Wages	2 673 34
Repairs and maintenance	4 518 72
Miscellaneous	106 56
	<u>7 298 62</u>
Building inspection:	
Wages	3 561 62
Miscellaneous	1 312 21
	<u>4 873 83</u>
Planning and zoning:	
Wages	1 018 82
Miscellaneous	794 34
	<u>1 813 16</u>
Highways and streets:	
Street lighting	2 563 18
	<u>2 563 18</u>
Library	346 18
	<u>346 18</u>
Parks and recreation:	
Repairs and maintenance	2 036 66
	<u>2 036 66</u>
Capital outlay	3 886 02
	<u>3 886 02</u>
Total Expenditures	<u>160 907 26</u>

TOWNSHIP OF AUGRES
Arenac County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS

EXHIBIT G

March 31, 2004

	<u>Garbage</u>	<u>Roads</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	45 516 77	82 831 13	128 347 90
Taxes receivable	-	4 575 41	4 575 41
Special assessments receivable	6 543 17	-	6 543 17
Due from other funds	<u>16 211 50</u>	<u>14 602 50</u>	<u>30 814 00</u>
Total Assets	<u>68 271 44</u>	<u>102 009 04</u>	<u>170 280 48</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Due to other funds	<u>26 244 11</u>	<u>-</u>	<u>26 244 11</u>
Total liabilities	<u>26 244 11</u>	<u>-</u>	<u>26 244 11</u>
Fund balances:			
Unreserved:			
Undesignated	<u>42 027 33</u>	<u>102 009 04</u>	<u>144 036 37</u>
Total fund balances	<u>42 027 33</u>	<u>102 009 04</u>	<u>144 036 37</u>
Total Liabilities and Fund Balances	<u>68 271 44</u>	<u>102 009 04</u>	<u>170 280 48</u>

TOWNSHIP OF AUGRES
Arenac County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS

EXHIBIT H

Year Ended March 31, 2004

	<u>Garbage</u>	<u>Roads</u>	<u>Total</u>
Revenues:			
Property taxes	-	34 453 76	34 453 76
Special assessments	42 996 00	-	42 996 00
Interest income	<u>65 48</u>	<u>32 24</u>	<u>97 72</u>
Total revenues	<u>43 061 48</u>	<u>34 486 00</u>	<u>77 547 48</u>
Expenditures:			
Public works:			
Sanitation	48 094 15	-	48 094 15
Highways and streets	<u>-</u>	<u>32 027 98</u>	<u>32 027 98</u>
Total expenditures	<u>48 094 15</u>	<u>32 027 98</u>	<u>80 122 13</u>
Excess (deficiency) of revenues over expenditures	(5 032 67)	2 458 02	(2 574 65)
Fund balances, April 1	<u>47 060 00</u>	<u>99 551 02</u>	<u>146 611 02</u>
Fund Balances, March 31	<u><u>42 027 33</u></u>	<u><u>102 009 04</u></u>	<u><u>144 036 37</u></u>

TOWNSHIP OF AUGRES
Arenac County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended March 31, 2004

EXHIBIT I

	<u>Balance</u> <u>4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/04</u>
<u>Assets</u>				
Cash in bank	<u>678 332 89</u>	<u>921 241 63</u>	<u>1 138 372 39</u>	<u>461 202 13</u>
Total Assets	<u>678 332 89</u>	<u>921 241 63</u>	<u>1 138 372 39</u>	<u>461 202 13</u>
<u>Liabilities</u>				
Due to other funds	<u>64 576 29</u>	<u>132 306 72</u>	<u>143 774 80</u>	<u>53 108 21</u>
Due to other units	<u>613 756 60</u>	<u>788 934 91</u>	<u>994 597 59</u>	<u>408 093 92</u>
Total Liabilities	<u>678 332 89</u>	<u>921 241 63</u>	<u>1 138 372 39</u>	<u>461 202 13</u>

TOWNSHIP OF AUGRES
Arenac County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year Ended March 31, 2004

EXHIBIT J

Cash in bank – beginning of year	<u>678 332 89</u>
Cash receipts:	
Property tax	912 696 41
Property tax administration fees	8 365 57
Interest	<u>179 65</u>
Total cash receipts	<u>921 241 63</u>
Total beginning balance and cash receipts	<u>1 599 574 52</u>
Cash disbursements:	
Township General Fund	54 446 81
Township Road Fund	38 631 16
Township Garbage Fund	50 696 83
Arenac County	420 340 22
AuGres Fire Authority	16 512 40
Bay Arenac Intermediate School District	172 895 55
AuGres-Sims School District	382 909 37
Refunds	<u>1 940 05</u>
Total cash disbursements	<u>1 138 372 39</u>
Cash in Bank – End of Year	<u>461 202 13</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

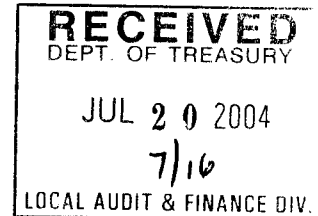
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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 12, 2004

To the Township Board
Township of AuGres
Arenac County, Michigan



We have audited the financial statements of the Township of AuGres, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of AuGres in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Township Board
Township of AuGres
Arenac County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board
Township of AuGres
Arenac County, Michigan

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of AuGres will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants